

FAR EASTERN ECONOMIC REVIEW

FINANCE, TRADE & INDUSTRY

Vol. I.

Hongkong, 20th November, 1946.

No. 6.

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Notes of the Week

Import Control by China

China has with effect from November 17 expanded the import licensing system which was instituted on March 1, 1946. The expansion of the licensing of imports amounts to State control of foreign trade. The principles for handling of import licenses are: raw materials and semi raw materials necessary for China's industries will be given first consideration; machinery and capital goods imports will be controlled with a view to speed up industrialisation of China; consumer goods will only be permitted for importation if they can classify as "essentials"

The Chinese Delegation to the Preparatory Committee of the International Trade and Employment Conference, London, has made it clear what China's foreign trade policy will be in future; to expedite progress in the industrialisation of the country which has been described as "economically underdeveloped". Therefore entry of non-essential imports will be prevented in order to conserve foreign exchange resources for purchase of essential commodities abroad.

Restrictions on non-essential imports are to be carried out by application of the licence system. The Chinese Govt. will thus change entirely the composition of imports into China. A further aim of the licence system is to bring about the balance of imports and exports. It will depend on the volume of Chinese exports whether imports licences can be issued more liberally.

Import trade control will remain in force for the duration of the "transitional period". According to the definition by the Chinese delegation the transitional period should not be limited by any prefixed date, nor be determined by such conditions of monetary reserve or balance payments which are primarily the criteria for monetary stability, and do not necessarily reflect the stage attained in industrial development.

The transitional period will have to last until the following economic state has been achieved by China: 50% of her wage-earning population employed in modern industrial enterprises concerned with production and distribution; and 50% of the national income derived from modern industry, trade and finance.

To all intents and purposes the transitional period will last for one or more generations.

The Delegation has outlined China's problems and proposals in a Memorandum to the London Conference. It is stated there inter alia: Trade restrictions and tariff adjustments are pre-requisites for the economic defense of an underdeveloped

country like China. While adjustments of tariff rates cannot alone afford protection for the interests of China since it is not easy to strike a proper medium between too high and too low rates, the regulation of foreign trade is achieved most conveniently by the application of a simple quota or tariff quota system.

It is proposed by Chinese economists in Nanking to alter the whole balance between agriculture and industry thus raising the standard of living among the economically backward people of China. It appears that most Chinese economic writers are agreed that only a protective tariff and quota system would stave off foreign imports, and that most Chinese industrial products could only sell on the domestic market if foreign competition were eliminated. A movement in Shanghai "Buy Chinese goods" has recently started but with little response from the public. Shanghai economic publications have repeatedly urged that Central Govt. should deal with foreign traders through an official organisation, something like a Foreign Trade Monopoly; only then, it was argued, can foreign imports be controlled and reduced in volume.

The Conference in London has been confronted with a Chinese foreign trade policy which is not in conformity with the principles set out in the two American documents which are the starting points for the Conference discussions ("Proposals for Consideration by an International Conference on Trade and Employment", "Suggested Charter for an International Trade Organisation of the United Nations"). The eventual establishment of a world trade regulating "International Trade Organisation" (ITO) is visualised by the proponents. Dealing with "quantitative restrictions", i.e. quotas, embargos and import licensing, the suggested Charter for ITO provides that no import licensing measures shall be maintained. The possible exceptions from quota restrictions are stated as: those relating to the early post-war transitional period taking into account shortages of shipping space, certain commodities and the need for orderly liquidation of temporary surpluses of Government stocks. Another exception relates to import quotas on agricultural products necessary to the enforcement of government measures to restrict the quantities of like domestic products which may be marketed or produced or to remove a temporary surplus of such domestic products. The most important group of exceptions refers to restrictions to restore equilibrium in the balance of payments of members. This provides that members confronted with adverse balances shall be entitled to impose restrictions on imports, but under certain conditions, the most important of which should be the full application of the principle of non-discrimination after expiry of the transitional period as defined in the Bretton Woods Agreement on the International Monetary Fund.

The draft charter sets a definite term, for the transitional period, the end of 1949 until which time will be allowed quotas and other restrictions in order to safeguard balance of payments. Thereafter "no member shall impose such restrictions unless such action is necessary to arrest a long-continuing or large deficit in the member's balance of payments," or to forestall such a large deficit in the case of a member with very low monetary reserves.

The proposed Charter also states that no prohibition or restriction shall be imposed by any member on imports of any product from another member unless the importation of the like product of all third countries is similarly prohibited or restricted.

In order to facilitate the operation of this provision members should undertake that in applying restrictions on imports they will employ the use of quotas and will avoid the technique of licensing.

American Blunt Talk

The American National and Foreign Trade Convention, held in New York during the earlier part of this month, dealt also with Chinese commercial and financial problems and developments. U.S. State Department officials and trade representatives of the country expressed highly critical opinions of the present confused state of China. The Director of Far Eastern Affairs, State Department, Mr. John C. Vincent, referred to China's muddled economy in drastic language. He suggested that no private or public capital be invested in China as long as widespread corruption in private business and official circles is not checked, and the Government keeps on wasting its substance in excessive armament. Mr. Vincent spoke for American business at large when he emphasised that no investments shall be considered in cases where a threat or the fact of civil war exists, where tendencies towards Government monopolization exclude American business or where undemocratic concepts of Government are controlling.

In the considered opinion of the top officials of U.S. State Dept. restoration of China's stability and direction of economy is dependent upon a solution of the political and military deadlock. If no "wise counsels" prevail China will be overtaken by "disaster and continued civil discord".

Under such unhappy premises trade with China cannot turn out well. The current balance of payment position has greatly deteriorated during 1946. All exchange and foreign trade regulations by China are only "temporary palliatives".

America is conscious of the fact that the current trade policy of China is not conducive to international economic co-operation and therefore constant effort is being made to discourage China from adopting temporary measures such as tariffs, trade barriers and other domestic legislation which might jeopardise successful attainment of long-range economic collaboration.

Operation of Exchange Control

As far as control over US\$ payments is concerned the guiding principle of the local Exchange Control remains the desire to avoid depletions of the U.S. dollar earnings. It is therefore that the Control insists that any goods imported from America intended for re-export from the Colony are fully covered by the payment of the requisite sum of US\$ into a local bank by the importer. Only then is the importer allowed to transfer US\$ to America for the payment of his purchases in U.S. Although control could not be maintained as it were in an airtight way, the success of the Exchange Control (Financial Secretary) measures cannot be denied seeing that the Colony still has a substantial overbought US\$ position.

Exchange Control derives its US\$ resources chiefly from exporters' bills. Family remittances, bank notes and drafts brought into the Colony by Chinese merchants form the other important sources for the local US\$ reservoir. When allotting US\$ to importers, travellers and remittances the following principles are observed:

(1) Importers: For goods essential for the rehabilitation of the Colony which cannot be obtained from the sterling area or such areas where the sterling area disposes of a surplus balance; for food supplies if not to be classified as luxuries, as allotted by the combined Food Board.

(2) Travellers: British subjects are allowed their return fare plus £75 per year if going for a holiday. British or Hongkong business men are allowed adequate sums if they are going to America on such business which is considered to be for the benefit of the Colony. It has been the practice in the past to allow US\$ for a single sea passage to America to Hongkong residents who have applied. It is expected that this practice will soon be modified.

(3) Remittances: Profits may be remitted, once provision for local taxation has been deducted, to a "non-resident sterling account". Insurance premia can be remitted if the insurance policy was taken out before Hongkong entered the sterling area. Family subsidies to the families of British subjects may be remitted if it is intended that those families should come to Hongkong as soon as conditions are suitable. Foreign residents may remit savings from their salaries.

American Pharmaceuticals

A few weeks ago importers of American drugs and medicines were advised by Exchange Control that US\$ allotments would henceforth be not granted except in case of American supplies which cannot be obtained from the sterling area. It was considered that Hongkong is adequately provided with American pharmaceuticals and large stocks are held by importers and dealers. Importers, however, are not satisfied with this ruling and have requested that this tightening up of US\$ control be relaxed.

American Film Rentals

Until now all American film distributors were allowed to remit their profits made in HK\$ to their head offices. Large sums in US\$ were thus regularly remitted. Permission to continue these remittances of film rentals will terminate on November 30, when the position will be reviewed by Exchange Control. Certain requests made by Hongkong Govt. as to the showing of latest movie pictures will have to be complied with before permission to remit film rentals will be renewed. Up to now it was the practice of American film distributors in the Colony to get rid of what they term the American film industry's "war time backlog" much to the detriment of the movie goer. If American film industry is to enjoy the privilege of remittances of their very substantial profits made in Hongkong it can be expected that some of their latest productions should be screened here while the "backlog" can be sold to unsuspecting customers elsewhere.

Open Market Trading in CN\$

Although the Chinese dollar is treated by the Hongkong Exchange Control as a foreign currency dealings in which are only permitted if applications for remittances were granted by the Financial Secretary, the public and all native banks disregard the existence of exchange regulations. From the point of view of the local Exchange Control remittance and speculative business in CN\$ do not affect the position of HK\$ and have no bearing on what actually is the aim of the Control, viz. the preservation of US\$ reserves and the encouragement of trade within the sterling area. However, the operation of an open exchange market in CN\$ constitutes disregard of government regulations.

The continuation of nominal control over CN\$ is unnecessary and ought to be abolished since it does not exist in fact. It is believed in local financial circles that control regulations would be discontinued if and when the Chinese Govt. would release foreign exchange control measures adopted in China. A similar situation as obtains in Hongkong prevails in China where banks carry on remittance business in HK\$ without any interference by their govt.

The exchange control both here and in China is only good on paper. The sooner this anomalous, if not to say ridiculous, position is abolished the better for the ordinary traders and the commercial banks. Of course, if Hongkong Govt. relaxes control measures and China keeps on with regulations never enforced nor intended to be enforced the position of Chinese commercial banks would still not be substantially changed.

Native Banks

It is the native banks and certain larger exchange shops who benefit from the exchange control on paper. All native banks in Hongkong engage in remittance transactions which is for most of them their sole occupation. The same can be said about native banks and a few smaller commercial banks in Shanghai and Canton. There are about ten native banks in Hongkong conducting daily CN\$ remittance business; they all have their corresponding branches in Canton and most of them also in Shanghai. The ordinary banks both Chinese and European do, as a rule, not concern themselves with CN\$ remittances.

The daily rate is established by the about ten native banks dealing in this business in Hongkong. Actually the lead is given by two native bankers who are more prominent in remittance business and do among themselves about 40 to 50% of the total turnover. The rate established daily in Shanghai naturally is the guiding influence for the local rate. The fluctuations are caused by political rumours and sentiments and by demand and supply position. While for some short spells more buyers appeared in the market, it is the rule that sellers of CN\$ are much more in evidence which has led to the continuous depreciation of the CN\$ on the local market.

Turnover

The turnover of the about ten local native banks is hard to estimate. One figure given by reliable sources states that the daily average turnover is around CN\$500 million per bank except for one or two banks who handle each about CN\$1,000 million per day. About one third if not more of this turnover is purely speculative. Most transactions on the CN\$ forward market are fictitious, of the nature of gambling, only in few cases is the forward market used by merchants. Trade between Hongkong and China averages monthly about HK\$60 to 70 million which at the present rate of exchange would approximate CN\$6,000 million.

Rates in 1946

The highest price was recorded on January 16 with HK\$48.7/8 for CN\$ 10,000. The lowest price, according to local native bankers, was HK\$10½ on October 11. During the first ten months of 1946 CN\$ has depreciated in terms of HK\$ by more than 350% (highest and lowest prices for one HK\$ having been CN\$955 and 206 respectively).

Stock & Share Business

There was no appreciable change during the week under review. The turnover continues to be rather small but the general undertone was steady. The sharp gains over the last few weeks induced naturally some profit-taking among some of the popular counters but there is not much scrip offering. Government Loan is in demand but there is no evidence of any sellers.

The further inflation of the Chinese currency and consequent demand for HK\$ will no doubt add considerably to the funds waiting to be invested in our market but until the restrictions are removed by the Govt. one cannot expect much activity.

A remark we heard the other day generally sums up our American Correspondent's article in our previous issue: "What Hongkong needs badly is more Business in Government and less Government in Business."

The share market continued rather dull with very little business going on. Rates on the whole have remained steady and in one or two instances a small inquiry for stock found the market bare. Banks were freely dealt in at rates from \$1,360 to 1,380. There was also some investment buying of Insurance shares. Hongkong Fires coming to business at \$285 cum dividends of 30 dollars and Canton Insurances at \$400 cum dividends of 50 dollars. These shares recently touched a low level of 250 and 325

American Solutions for Peace in China

There is no denying or hiding the fact that at present relations between the governments and the peoples of America and China are passing through a crisis. It appears that much indignation, resentment and dislike is accumulating on both sides of the Pacific.

The emotional undercurrents which are ever present to disturb and confuse an already sufficiently involved situation are growing in depth and extent. If not an early rapprochement between the Chinese and Americans can be achieved the present tension may issue into more serious proportions.

American diplomats, economists, University professors, politicians, etc. have come to realise the importance and implications of the present crisis.

We present in the following an excerpt from a study made by Professor Fairbank, published originally in "The Atlantic", one of the leading intellectual monthlies in the U.S.

Then follows another excerpt from the first proofs of a new book, "Thunder out of China", written by Theodore H. White and Annalee Jacoby, of "Time" fame, parts of which were reproduced in "Harper's Magazine" which monthly can duly claim to help forming American public opinion.

America's Dilemma in China

(By JOHN K. FAIRBANK)

An Associate Professor of History at Harvard, JOHN K. FAIRBANK began the study of Chinese language and history while a Rhodes Scholar at Oxford (South Dakota and Balliol) and since 1932 has been nearly half the time in China. During the war he spent fifteen months in Chungking in government service. During the past year, until July 1, he was again in China as head of the informational and cultural program of the Department of State.

In this post-war period, we face in China the dilemma that confronts us elsewhere: how to foster stability without backing reaction; how to choose between authoritarian extremes of communism and incipient fascism; how to nurture in a backward country both the economic well-being which only a strongly centralized control can ensure and the individual freedom which goes with representative government and civil liberties; how to reconcile socialism and liberalism. The established regime which we recognize (the Kuomintang) is incompetent to give the mass of individuals economic security, and in seeking to retain power is also averse to allowing them political expression. Alternatively, there is danger that if a new authoritarian

regime (the Chinese Communist Party) wins support by giving the individual economic security, it might end by withholding from him political liberty.

Revolution will endanger our liberal interest, yet reaction is even now destroying it. The liberalism in which we believe may be crushed between two authoritarian extremes, neither of which we wish to support. But we seem to prefer the known evils of reaction to the unknown dangers of revolution. Thus we become conservatives, and events now move so fast that conservatives soon become reactionaries.

Gen. Marshall's Mission

When General Marshall went to China last December it was not our intention to back the Kuomintang in civil war. His statesmanlike objectives were to help stop the civil war and to help achieve a coalition government of all parties, in which the Communist Party would be represented and have political rights to seek adherents and this compete with the Kuomintang for the support of the Chinese people. This coalition government would end one-party dictatorship by the Kuomintang and usher in a two-party system; at the same time the two parties would merge their armies in a newly reorganized national army, which the United States would help to build. The new coalition government, founded on a new constitution, would receive economic aid from the United States, and China would be set on the road to unity, democracy, and national strength.

This admirable program was agreed to by all parties in January of this year and the Executive Headquarters in Peiping was set up to carry out the cease-fire agreement by sending truce teams composed of Nationalist, Communist, and American representatives to all points where civil conflict might flare up. The Headquarters put on a superb performance.

But the basic agreement for coalition government was nullified by those who had the most to lose by it—that is, the right wing of the Kuomintang.

The Kuomintang right wing, which controls the party that controls the government of China, has sabotaged General Marshall's efforts.

The Communist Party

The Chinese Communists on their part have broken solemn promises and contributed to the flouting of the agreements. But on the whole they stand to gain from coalition government both a recognized political status and an opportunity to spread their influence. In the mixed fighting and negotiation of recent months they have espoused peaceful settlement but have used force when they felt it expedient.

Our support of the Kuomintang has consisted of the fact that, in spite of the collapse of the political part of last winter's settlement, we have taken steps to carry out our economic and military part of it. Without waiting for the creation of a coalition government which would genuinely represent all China, we have begun negotiations for a half-billion-dollar loan, promised to continue Lend-Lease aid in addition to the 600 million dollars advanced since V-J Day, sold surplus war supplies, transferred

ships, and trained Chinese naval forces, all to the benefit of the recognized government of China, which is an unreformed one-party dictatorship. This has strengthened the Kuomintang right wing, which has openly prepared its civil war against the Communists.

We back the Kuomintang for several reasons, legal and practical, but mainly because, with all its evils, it is a known quantity and looks to us for leadership in international affairs. We fear that if it collapses, Russian influence in China will supplant ours.

Because of this fear, while we sincerely profess liberal aims in China, we actually back Kuomintang reaction. We find ourselves as individuals aghast at the corruption and gangster methods of a regime which we nevertheless collectively support.

Two Things to Understand

The first thing for us to realize about modern China is that beneath the veneer of westernization and the hopeful developments of our lifetime, the Chinese political tradition still remains authoritarian. The most cursory glance at Chinese history shows that from the earliest period the ruler was above the people, their father and not their representative.

There has never been a two-party system in China that worked; and there has always been a monopoly party in power, a party of officials organized on the basis of loyalty to the ruler. We should recognize that behind all the rapid modern development of China and the statements made to us about Chinese democracy there lies the inertia of centuries, which inheres in the mass of a whole continent. We cannot expect democracy in China soon or on our own terms, but only on terms consistent with Chinese tradition, which must be gradually remade.

A second thing we must recognize in our approach to China is that economic security comes before political freedom in the wants of mankind. A man will think of food before he thinks of free speech. Our own tradition of political liberty has grown to maturity in an expanding economy, where the individual's standard of living has been rising.

Communist Agrarian Reform

The Chinese Communist Party has become the acknowledged champion of agrarian reform, in a land of farmers, and has thereby set up its claim to be the party of progress. Chinese intellectuals generally recognize that the Communist Party is the party of change and is now the leading force in the Chinese revolutionary process.

This is not surprising when one looks at the Kuomintang.

The ideals in terms of which the Communist Party enlists the allegiance of young China deserve our careful attention. Leaving aside ideological terms, the Communist appeal is made as follows:—

1. The object of the revolution is a new life for the masses of China. This new life must begin with the economic betterment of the peasant; to this he will respond, not to mere slogans or ideology.

2. The economic betterment of the peasant, involving his literacy and technological training, can be achieved only by the exercise of political power, which is now the vested interest of the landlord and moneyed official classes.

respectively. Hongkong Electrics, Trams and Telephones eased a little and scrip was taken off at 34, 29, 36. Lands were again dealt in fairly extensively at 87/88 with business done at 87 at the close. Humphreys continue in demand at 19½. Wharfs are offering at 155 after sales at 150. China Providents continue firm with buyers at 13.75. Dairy Farms and Watsons are also wanted at 34 and 23½.

It is rumoured that the Government restrictions regarding shares transfers may soon be lifted in which case a free market should bring about more activity.

3. To attain political power it is necessary to have a political organization stronger than any number of uncoordinated individuals; the impotence of the individual in China is being proved every day now, in the assassination of liberals.

4. A party can be effective only if its members submit to party discipline; in party councils all may have a voice, but once the party decision is taken, all must obey it. In self-defense the party must work partly in secret. In self-defense it has an army.

5. The revolution must be guided at every step by the needs of the peasant. Party cadres must live in the villages, work with the peasant, eat his food, lead his life, think his thoughts. Only thus can the party draw perpetual sustenance from the masses and lead them in their regeneration.

To an observer, the most striking thing about these Communist Party articles of faith is the fact that they are posited upon the Chinese peasant's primary need of economic betterment.

An American Program for China

Our problem is how to influence the Chinese revolutionary movement in our proper interest so that it will not sacrifice the individual to the state, will not subordinate China to a foreign power, and will not surround itself by an iron curtain which cuts off contact.

In this connection we should remember, for example, that the present Russian xenophobia stems partly from the Allied attack and blockade of the Bolsheviks after the First World War. In China the iron curtain has thus far been the Kuomintang blockade of Communist China, not a blockade created by the Communists but one raised against them. Already the Chinese Communists show the evil effects of this blockade, which has starved them intellectually as much as materially. They are long on theory and short on facts, lacking in detailed knowledge of the outside world but ready with general conclusions about it.

Even their leadership is an easy prey to its own propaganda, prone to accept doctrinaire answers to questions which we feel must be answered by practical experiment rather than dogma. The spiritual fervor which gives their movement strength leads them to *a priori* conclusions, and they readily jeer at British socialism as a sham and foresees the utter collapse of capitalism in America, expecting that unemployment, inflation, and the Negro problem will sooner or later tie us in knots. They doubt that capitalist America can have a fundamentally friendly policy toward them. When we confirm this doubt by giving Chiang arms to use against them, we are ourselves being doctrinaire, and are ourselves setting lines of inevitable conflict. This is not to our interest.

We should also note that humanitarianism is an important part of the Chinese Communist dogma. Whatever may have happened in Russia, this ideal has not yet been perverted in Communist China, and Communist cadres there are sincerely intent on the uplifting and regeneration of their fellow men. Meanwhile the Communist propaganda toward Kuomintang China has been increasingly on a liberal line, protesting violations of civil liberty, demanding freedom of speech, assembly, and publication, and denouncing the callousness of officialdom to human suffering. However ruthlessly

the news and propaganda monopoly of the Communist Party may try to control thought in their own areas, it is plain that they seek to align themselves with the Chinese liberal tradition, which is mainly the tradition of individual self-expression on the part of the scholar class. From early times the courageous scholar has been the man entitled by his learning to speak out against the misdeeds of authority. This tradition is one hope of liberalism in China.

Whether Communist China can eventually reconcile a socialist economy with individual liberty we do not know. As industrialization and education progress, it is not likely that modern China will acquiesce forever in government by a Gestapo, either right or left. But in any case we cannot erase Communism from the Chinese political scene, however many tanks and planes we give to Chiang. If we oppose the revolution blindly, we shall find ourselves eventually expelled from Asia by a mass movement.

These considerations suggest that our best chance lies in developing and maintaining contact with Communist China as fully as with the rest of China—the opposite of a policy of quarantine or cutting adrift. For example, American universities should develop direct contact with, and lend the most active support to, leading Chinese universities, including the few which are growing up in Communist areas. Students should be exchanged with all areas.

We should see that relief supplies go where they are most needed, regardless of politics. Our technical, financial, and other assistance should be available freely to all sides. We should be less immediately concerned to secure freedom of commercial opportunity for our own benefit than to secure freedom of information and of the press and of travel—in short, freedom of contact.

Freedom of contact, meaning reciprocal contact, is our chief hope of avoiding fatal misconceptions on our part as to Chinese realities, and of contributing some of our own liberal faith and values to the revolutionary process in China. In the long run it is our best chance of nourishing and sustaining both liberals like Professor Wen I-to in the face of Kuomintang reaction and those humanitarians in the Chinese Communist Party who seek the liberation of the individual. If our liberal political principles are as universally valid as we believe, we must wait for modern China, communist or otherwise, to realize it. We cannot compel her to do so, and the continued use of American force, masked as Lend-Lease or other aid to Kuomintang armies, will only invalidate our cause and rouse force against us.

KMT, CP, and A Solution for Peace in China

(By THEODORE H. WHITE AND
ANNALEE JACOBY)

Both authors are well-known newspaper correspondents with a long record of reporting from war time capital Chungking.

It would be childish to expect stability in China in our generation. China must change or die.

Within a desperately few years she must move half a billion people from the world of the middle ages into the world of the atomic bomb. In addition to all the crowding problems of today, the Chinese must solve the problems of yesterday: the building of railways and

industry, the fostering of universal education, the nurture of the scientific mind. The greatest human mass within the bounds of any single nation must, within a few generations, absorb all those changes which the Western world has been trying to master for five centuries.

The root problem of China is whether her two great parties can agree upon a program of change broad enough to meet the needs of the overwhelming mass of the Chinese people. If they can, change will come peacefully. If they cannot, armies will march across the land, ravaging its people and imperilling every nation in the world.

The Kuomintang

The greatest danger to peace in China is the right wing of the Kuomintang—the dominant party machine. This machine is the political expression of the Nationalist army leaders, the feudal landlords, and the war-inflated bureaucracy. These groups have benefited most by the old way of life.

The greatest indictment of these men is not their corruption, their petty tyrannies, their chicaneries; it is their sheer inability to govern, to give leadership. With the victory over Japan and the return of the Kuomintang to the coast, the old government group was given its last opportunity to purge and cleanse itself. The advance guards of the Nationalist armies and government were greeted in Shanghai and Canton with flags and parades, with the festivity of a carnival. Within six months they succeeded in alienating not only the broad masses of undernourished and underprivileged, but even the sturdy business groups who ten years before had been their great reservoir of strength.

It is an axiom that the last of the attributes to wither in any governing group is its ability to loot, to oppress, and to mis-govern. The Kuomintang returned to the coast only to prove the axiom. In an atmosphere of seething inflation and of complete decay of morality, the money-hungry officials of Chungking returned to sack the cities and provinces they had liberated. Squeeze and bribery, so long accepted by Chinese political ethics, passed all bounds. With a feeling of nausea the people of Shanghai watched the government they had welcomed back sell licenses, sell privileges, mismanage foreign relief supplies, condone hoarding. They watched the printing presses spin off reel after reel of worthless money, while prices soared and bureaucrats danced at night clubs and drank at fine hotels. Shanghai's labor organizations watched the Kuomintang hold its first general meeting of labor unions at a dance club. The old opium rackets revived again under the guidance of some of the Kuomintang's most powerful men. The people of Shanghai had watched the government retreat in 1937, bleeding but glorious, to be replaced by the Japanese and the traitors of the puppet army; now the same government has returned to accept some of the most odious of the traitors in its fold.

Superficially, it seems difficult to reconcile the extravagance and debauchery of the Kuomintang's machine with the stern and puritan fiber of Chiang Kai-shek. Yet the power of this machine over the rank and file of the party membership was confirmed by Chiang personally at the party congress of 1945. The brutality and extortion of the visible bureaucracy at the coast is only the image

of brutalities and extortions that have existed in the villages of the interior for generations. The old system in the villages is condoned by traditional practice and glossed by timeless graces.

The Communists

On the left stands the Chinese Communist party. The Communist party wields power, has struck for power in the past, may attempt to strike for absolute power in the future. The Communists now insist on having a solid base in north China to protect their security and lives. Up to now, the Communist party has shone by comparison with the Kuomintang. Where the Kuomintang was corrupt, it maintained its integrity. Where the Kuomintang was stupid, it was wise. Where the Kuomintang was lazy, it was dynamic. Where the Kuomintang oppressed the people, it offered them relief. Those who visited Communist territory escaped from the oppression of the Kuomintang into what seemed an area of light. Now the Communists are part of the world—they must stand examination, not by comparisons, but by achievements. They have been more democratic than the Kuomintang; now they must prove whether democracy was a means or an end.

America in China

Americans must realize one of the hard facts of Chinese politics: in the eyes of millions of Chinese their civil war was made in America. We were the architects of its strategy—we flew government troops into Communist territory; we transported and supplied Kuomintang armies marching into the Communists' Yellow River basin and into the no man's land of Manchuria; we issued the orders to the Japanese garrisons that made the railway lines of the north the spoils of civil war. Our marines were moved into north China and remained there to support Chiang's regime though fiction succeeded fiction to explain in noble words their continued presence.

Since it is impossible to halt the revolution going on in China and in Asia, a sensible foreign policy for America should aim for three goals:

1. That this revolution, when successful, be one that regards America as a friendly state.
2. That it be achieved with a minimum of violence and bloodshed.
3. That it always preserve within itself the right of minority groups to speak, to protest, to act under law, and that it permit the great outer world to observe and report the things it does.

These should be our goals; but the policies which America may pursue at the present moment are limited in number.

We can pursue the policy that prevailed during most of 1945, the policy that led to the direct intervention of our marines in a Chinese civil war. This policy is unconditional support of Chiang Kai-shek. There is no doubt that Chiang Kai-shek has been a valuable ally. But the Chinese people as a whole are more important to us than the personality of a single individual. What they want, not what he wants, is important.

Division of China

This policy might have led, and still may lead, to either one of two results. One may be the division of China; in south China there may be an alliance of the Kuomintang and the U.S.A., in north China an alliance of the Communists and Russia. This means that neither half of China is free, and that friction grows in an annual crescendo. The end is war.

The second result of this policy might be total victory of the Kuomintang. Chiang Kai-shek, supreme with American surplus war equipment, his army staffed by our combat personnel, might be able to establish his rule over most of rural China, the main cities, and the major arteries of communication. A China ruled entirely by the Kuomintang dictatorship—and this, after all, was what our policy sought all through 1945—would be a historical monstrosity. For a period there would be a flourishing industry; railways would be built, factories would rise. But the peasants in the villages would rot, their tensions would accumulate, their sons would be marshaled in the army. Having no outlet for domestic tension, this state would become (as Japan's did) a menace to all the Orient and eventually to all the world. Like Japan, it would possess all the skill and techniques of modern science, and these skills would be at the direction of men whose thoughts were still rooted in the barbarism of feudal antiquity.

A Plan for Peace in China

The only practical policy would be the encouragement of a multi-party government in China which will be a vehicle for the changes the country needs. It means that many men of the Kuomintang, whom we now regard as friends, must be dropped. It means that to reestablish our non-partisan standing, American intervention must cease and American troops must be withdrawn.

The encouragement of such a multi-party government depends above all upon a prior understanding between the United States and the Soviet Union. We hold the key. So long as any party in China feels that there may be an appeal to a partisan court outside China, which will judge in its favor, the really constructive forces of the nation will be hamstrung.

We must come to an agreement with Russia either by direct negotiation, or by a conference that includes along with us the two great parties of China. First, we must make clear to the Russians that what we want is a China in which the friends of Russia will have as large and free a voice as the friends of America, that a union of the two parties is as much our object as theirs. Secondly, we must try to get Russia to join us in a negative agreement—that if civil war goes on in China despite our most sincere efforts to end it, then a cordon of immunization will be maintained by all the world. If civil war continues, both Russia and ourselves must pull out lock, stock, and barrel from China—our troops, our equipment, our financial and technical aid.

Trade with Taiwan

Trade between Taiwan and Hongkong has started only recently when a few ships called here discharging cargo from this island and loading supplies for China's youngest province. The premier British concern in the Far East has opened offices in Taiwan and the general expectation is that trade will slowly develop.

The Taiwan Provincial Government has established recently an office in Hongkong which is located at 8, Queen's Road Central. This Trading Bureau is under direction of Mr. C. C. Wong.

Taiwan is governed at the moment under emergency principles which were necessary since the island was only recently recovered from the Japanese. Trading has been largely placed under control of the Provincial Government for the purpose of ensuring essential supplies from abroad. Taiwan's produce and commodities are usually exchanged or bartered against foreign imports. The people of Taiwan do profit from this system since their trade is, instead of in the hands of a few merchants, planned and guided by government which is anxious to develop reconstruction of the island. Foreign traders are not inconvenienced by the present system of gov't. controlled trade although the procedure of buying and selling is not as simple as if carried out by private merchants.

The Taiwan Trading Bureau assists foreign traders by facilitating exports, imports and remittances.

Taiwan Imports & Exports

Taiwan can at present supply large quantities of the following goods:

- Coal (including bunker and dust coal)
- Tea (red, pouchong, wulong and other teas)
- Camphor (camphor oil, refined and crude camphor; Taiwan holding almost a monopoly of camphor production in the world)
- Sugar (white, brown, in cubes, granulated, etc.)
- Nitric Acid
- Alcohol
- Pig Iron
- Caustic Soda
- Cardboard
- Timber
- Straw ware
- Spices

The following goods for importation are required by Taiwan:

- Industrial Chemicals (ammonia, sulphuric acid, vaseline, etc.)
- Industrial Machinery
- Agricultural machinery and implements
- Agricultural fertilisers
- Daily Necessities (soap, cotton piece goods, clothing material, etc.)
- Straw Mats
- Gunny Bags
- Rubber Plates
- Tin Plates

Remittances

Payment and remittances present some problem for traders. Except for the Provincial Bank of Taiwan no banks have offices established in the island. A number of merchants doing business with Taiwan both with private business men and through Taiwan Gov't. remitted

money through the Shanghai branch office of the Taiwan Bank. The Taiwan Trading Bureau is also handling remittances to and from the island.

Shipping

Communications between Hongkong and Taiwan are improving of late, more ships being on the run and there are good hopes for regular shipping services between Keelung (on the northern tip of Taiwan) and Hongkong. The following Taiwan ships have called during 1946 on Hongkong: Tai Nan (once), Sar Hing, Yee Hing (twice), Sar Bung (four trips). These ships were flying the flag of the Taiwan Navigation Company. The company is now negotiating for the purchase of a large ocean going ship for plying between Hongkong and Taiwan. It is expected that as soon as this purchase will be completed increased trade with Hongkong will follow.

A number of British ships have been making the Taiwan trip quite frequently. Jardine and Douglas ships have been on the Taiwan run for several months past. One or two Australian chartered vessels have also assisted in getting Taiwan's trade underway.

Shipping Reports

Soviet Ships in Hongkong

For the first time since the end of war Soviet ships have called here. In September 3 ships arrived and left. Their tonnage was 2,805. In October 6 ships of a total tonnage of 5,865 entered and cleared. They had 27 passengers aboard when they called here, and took 9 more local passengers when leaving for Vladivostok.

United States Lines

Being local agents for Pacific Far East Line and American Pioneer Line, the United States Lines office has been recently opened here and is a welcome addition to the long list of shipping companies in Hongkong. The U.S. Lines commands the largest fleet of U.S. cargo vessels majority of which were only launched during recent years. Originally the U.S. Lines were conducting passenger traffic across the Atlantic and through the Panama Canal to the West Coast.

The Pioneer Line, one of the branch lines of U.S. Lines, has been well known in the Orient for years. This line is expanding the service across the Pacific with a new fleet of 18 knot vessels which were launched mostly during the last few years. Pioneer Line boats will connect the Orient with the East Coast while Pacific Far East Line, also equipped with modern passenger and cargo boats, is terminating at the West Coast (San Francisco and Los Angeles). Regular service will soon be started for three sailings per month to West Coast ports, and two sailings per month for Atlantic and Gulf ports via Panama Canal.

Moller's Ltd.

This large British shipping company of Shanghai which has recently transferred its head office to the Colony is planning to start a large coastal service in South China waters. The company will also run ships to Philippines and Siam.

The steamer "Merry Moller", 400 tons, with accommodation for 360 passengers in 1st, 2nd, 3rd class, saloon and bunks, is to commence regular daily service to and from Macao, taking about 3 hours for one trip. The ship is under charter of Ta Hing Co., Ltd.

Traffic between Hongkong and Macao has been very profitable and the two local shipping companies running the "Kwong Sai", about 900 tons, and "Kwong Pook Cheung", about 500 tons, have been coining money, usually carrying passengers and freight to capacity. All other craft (motor junks, motor ships like the "Kwong Fat Lei") have also enjoyed an unprecedented boom.

Shipping in China

The total of Chinese shipping companies by the end of October was 265 of which number 65 companies have their head office in Shanghai.

Other companies have their offices, in order of importance, at Canton, Tientsin, Tsingtao, Foochow and other ports.

Chinese companies own 463 vessels, total tonnage being 297,883. China Merchants Steam Navigation Co., Govt-owned, owns 85 ships with a tonnage of 129,169 (more than 40% of all China). The C.M.S.N. Co. purchased after the end of war 70 ships mostly from U.S. (Liberty & Victory types, freighters, landing craft), the company's 15 prewar vessels which survived the war are mostly in bad condition.

Out of the total of 265 Chinese steam ships only nine were built in China, 69 were gifts from Britain and U.S., and 187 ships were purchased.

At present China negotiates with U.S. War Shipping Administration for purchase of one million tons of ships offering to pay the construction price less 25%.

Chinese wartime shipping losses aggregated about 120,000 tons which Govt may now recompense by indemnifying owners at US\$30 per ton (estimated construction cost now US\$50 to 90 per ton), involving Govt payment of US\$3.6 million.

New Ships for Hongkong

The following ships were bought by Mr S. T. Williamson, Hongkong shipowner, from the British Ministry of Transport: Empire Gazelle, Empire Grebe, Empire Labrador, Empire Malta, Empire Magpie, Empire Nightingale, Empire Planet, Empire Puma, Empire Razor Bill, Empire Tern, Empire Tyne, and Egorloch.

CHINA'S SHIPPING

During the month of August 1,117 ships of a total tonnage of 1,025,661 (including junks) entered and cleared Chinese ports.

For the period January to August 1946 11,727 ships of a tonnage of 5,966,922 entered and cleared Chinese ports.

Shanghai accounted for about 65%, Canton followed with about 15%, and Tientsin with 4½% of the total.

Returns for Arrivals & Departures

	Ships	Tonnage
China:		
August	1,117	1,025,661
Jan./Aug.	11,727	5,966,922
Shanghai:		
August	197	687,529
Jan./Aug.	1,036	3,889,104
Canton:		
August	836	162,169
Jan./Aug.	5,902	895,103
Tientsin:		
August	—	53,627
Jan./Aug.	—	273,033

The very large number of ships recorded, particularly in the case of Canton, is due to the expanded junk traffic.

The lead in shipping of China is maintained by U.S. with 669 ships of 2,695,711 tons entered and cleared during the first eight months of the year. British shipping follows with 836 ships of 1,603,561 tons. Surprising is the large Japanese tonnage recorded, especially when considering that Japanese shipping has only recently resumed. Soviet ships like in the case of Hongkong are yet taking a back seat.

Shipping by Flags

for January/August 1946

Flag	Tonnage
United States	2,695,711
British	1,603,561
Chinese (excl. junks)	592,990
Chinese Junks	270,940
Japanese	196,045
Norwegian	189,253
Netherlands	129,088
Panamanian	99,632
Danish	78,573
Swedish	52,889
U.S.S.R.	36,472
French	6,616
Philippine	6,560
Others	8,592

Shipping Companies in Hong Kong

There are locally 16 British, 3 American, 3 Danish, 2 Norwegian and 1 French, Dutch, Portuguese, Swedish, Philippine and British Malayan Shipping companies operating either their own lines or representing shipping lines abroad.

Chinese river and South China coastal shipping firms number 42. Many of these firms are not regularly in the shipping business.

Following is a list of all local shipping companies:

British

Bank Line (Ellerman; Klavness; American-Oriental Line; Orient-African Line; American-Manchurian Line).

Butterfield & Swire (Chinese Navigation Co.; Australian-Oriental Line; Blue Funnel Line).

Canadian Pacific

Dodwell & Co. (Barber-Wilhelmsen Line; Dodwell-Castle Line).

Douglas Steamship Co.

Geo. Grimble & Co.

Gibb, Livingston & Co.

Gilman & Co.

Gerondal & Co.

Jardine, Matheson & Co. (Indo-China Steam Navigation Co.; Australia-China Line; Glen Line; Western Canada Steam Ship Co.; Prince Line).

John Manners & Co.

Mollers

Mackinnon, Mackenzie & Co. (Peninsular & Oriental S. N. Co.; British India S.N. Co.; Eastern & Australian Steamship Co.).

Rymo Shipping Co.

Loxley & Co. (Ben Line).

Williamson & Co.

American

American President Lines.

United States Lines Co. (Pacific Far Eastern Line).

Everett Steamship Co.

French

Messageries Maritimes (French Line).

Netherlands

Java-China-Japan Line (Royal Packet Navigation Co.; Silver Line; Holland-East Asia Line).

Norwegian

Thoresen & Co. (Fern Line; Wilhelm Wilhelmsen).

Wallem & Co. (Ivaran Steamship Co.).

Danish

Jebsen & Co. (Maersk Line).

East Asiatic Co.

Karsten, Larsen & Co.

Swedish

Swedish East Asiatic Co. (represented by Gilman & Co.).

Portuguese

H. Nolasco & Co. (Companhia Nacional de Navegacao).

Philippine

De La Rama Steamship Co.

British Malayan

Ho Hong Co. (Ho Hong Steamship Co., Singapore).

Others

Nemazee

R. Basa

Chinese

But for the China Merchants Steam Navigation Co. (Government owned concern) which maintains service along the whole China coast, the following Chinese shipping firms, mostly located on the Praya (Connaught Road Central or West), engage in river and coastal shipping only in South China waters:

Bian Thong Hong.
Chin Seng Hong.
China Steamship Co.
Chee Shing Co.
Far Eastern Shipping Co.
Hing Lung Shipping Co.
Jeb Shun Shipping Co.
Kwong Fat Lee.
Kong Nam Shipping Co.
Kung Ping Shipping Co.
Kwong Tung Industrial Co.
Kung On Hong.
Kin Tye Loong.
Lee Sang Shipping Co.
Lee Hang Tung.
Ming Sang Coastal Navigation Co.
Ming Sang Shipping Co.
Man On Shipping Co.
On Tai Hong.
On Cheong Co.
Pacific Trading Co.
South China S.S. Co.
Shiu On S.S. Co.
Shun Cheong S.S. Co.
Stanley Shipping Co.
Sze Wai & Co.
Shun Wo Fat.
Shun On S.S. Co.
Tat Hing Shipping Co.
Tung Hing Hong.
Tak Seng Shipping Co.
Tat Sang Shipping Co.
Tak Cheong Co.
United Shipping Co.
Wang Kee.
Wo Cheung Fat Shipping Co.
Wo Hing S.S. Co.
Wo Fat Sing.
Wai Fung Shipping Co.
Wah Yine Shinoing Co.
Wah Sang Shipping Co.
Yuen On & Co.

FINANCIAL NOTES

Exchange Fund Advisory Committee

The Advisory Committee of Hongkong Exchange Fund which had been created by Government in order to advise on control and disposition of bank note reserve held in London is composed of the managers of the three British banks in the Colony, viz. the Hon. Mr. A. Morse, Hongkong & Shanghai Bank, Mr. A. J. Gilmore, Chartered Bank, and Mr. D. Benson, Mercantile Bank. Secretary and Accountant to the Committee is Mr. E. W. Pudney.

As will be recalled the Exchange Fund was established when Hongkong went off silver as the basis for the Colony's currency with the passing of the Currency Ordinance of December 5, 1935. Hongkong's silver formerly held against the issues by the three note-issuing banks was taken over by the Exchange Fund in return for certificates of indebtedness against which the Fund holds bullion, foreign exchange and approved securities. By the end of 1945 Hongkong Government certificates of indebtedness held by the Hongkong & Shanghai Bank totalled £14,223,178.

Revision of CN\$ Exchange Rate

Rumours in Shanghai and Canton were emphatic about either the early introduction of the "Sun" currency which would amount to a devaluation of CN\$ in terms of US\$ (probably at the rate of CN dollars 6,000 to one US dollar) or a new adjustment of the exchange rate from the present CN\$ 3,350 to a level somewhere between 5,000 and 7,000. The arrival of "Sun" currency, allegedly printed both in England and U.S., is currently rumoured about in Shanghai and no government denial has yet succeeded to discredit this story.

It is true that very large quantities of new Chinese money have arrived in Shanghai, printed in London, of \$1,000 and 2,000 denomination. Other lots of bank notes printed in U.S. are held up in San Francisco owing to the seamen's strike. When reports circulated during the last days of the week under report

(ending Nov. 16) stating that the strike in America had ended, the immediate result was the soaring of US\$ black market prices. It is alleged that 67 cargo-laden ships will arrive in Shanghai within 2 to 3 weeks after the end of the strike. Many Shanghai importers have under influence of the currency revision rumours and in order to purchase U.S. goods tried to buy US\$ both in bank notes and in drafts. Consequently the week closed with buying prices touching the 4,800 mark and selling prices topping almost 5,000. It was altogether impossible to make larger purchases of US\$ on the Shanghai black market and the picture was rather confused.

A report stating that the National Govt. transferred to Central Bank for "bolstering its reserves" an amount of US\$ 500 millions was not quite believed by merchants and speculators; at any rate no influence of this inspired report was noticeable. The Central Bank was selling during the last few weeks very much larger quantities of gold bars than previously, recognising the critical state of CN\$. While the Bank sold usually between 600 to 800 bars of 10 ozs. per week during September and earlier part of October, sales of bars to approved gold shops and to the unofficial gold market in the last October week and the two November weeks averaged 3,000 per week.

China Industrial Bank of Hongkong, Ltd.

This bank opened for business on November 12 as a commercial and industrial bank with an authorised capital of HK\$ 5 million, 25% of which has been fully paid up. The bank is incorporated in Hongkong. The shareholders are the Hsu family (controlling interests in New Asia Chemical Works of Shanghai and other cities in China) and their friends. Chairman of the Board is Mr. K. C. Hsu who founded the "New Asia" chemical factories and laboratories which are at present managed by Mr. Hsu's brother. Manager of the new bank is Mr. T. S. Yu, previously with the Manufacturers Bank in Hongkong, and the Shanghai Commercial & Savings Bank in Shanghai. Mr. Yu graduated from a university in America with B.A. The bank plans to finance industrial enterprises and to engage in commercial banking business.

HONGKONG'S SHIPPING

Returns for October

Shipping here has again increased in October as against the preceding month. The total of shipping entered and cleared was over 1,100,000 tons as will be seen from detailed figures published below (previous shipping statistics on pages 9 & 10 of issue dated Nov. 6).

Hongkong's shipping returns contrasted with those of China reveal that this port handles about 75% more than Shanghai, and usually about 10% more than all of China.

ARRIVALS FOR THE MONTH OF OCTOBER 1946

Flag.	Ocean No.	Steamers. Tonnage.	River No.	Steamers. Tonnage.	Total No.	Cargo River Steamers.	Passengers. River Steamers.	Passengers. Ocean Steamers.	Passengers. Total
British	98	272,735	61	53,973	159	326,708	6,325	19,705	32,791
American	10	55,979	—	—	10	55,979	—	725	725
Canadian	1	4,270	—	—	1	4,270	—	—	2
Chinese	41	56,403	18	2,889	59	59,292	861	1,124	4,151
Danish	4	20,742	—	—	4	20,742	—	—	32
Dutch	12	40,709	—	—	12	40,709	—	3,908	3,908
French	4	10,452	—	—	4	10,452	—	281	281
Norwegian	15	24,124	—	—	15	24,124	—	2,514	2,514
Panamanian	13	7,428	—	—	13	7,428	—	62	62
Portuguese	—	—	3	648	3	648	191	312	312
U.S.S.R.	6	5,865	—	—	6	5,865	—	27	27
Swedish	1	3,395	—	—	1	3,395	—	10	10
Philippine	2	4,524	—	—	2	4,524	—	361	361
Total Foreign	109	233,891	21	3,537	130	237,428	1,052	1,436	10,949
Total	207	506,626	82	57,510	289	564,136	7,377	24,035	45,176

DEPARTURES FOR THE MONTH OF OCTOBER 1946

Flag	Ocean Steamers.		River Steamers.		Total		Cargo River Steamers.	Passengers. River Steamers.	Passengers. Ocean Steamers.	Passengers.
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.				Total
British	89	244,275	61	53,973	150	298,248	7,808	22,044	7,142	29,186
American	12	63,867	—	—	12	63,867	—	—	963	963
Canadian	1	4,270	—	—	1	4,270	—	—	—	—
Chinese	40	56,571	18	2,889	58	59,460	741	212	5,483	5,695
Danish	3	15,642	—	—	3	15,642	—	—	17	17
Dutch	11	38,604	—	—	11	38,604	—	—	3,137	3,137
French	4	10,452	—	—	4	10,452	—	—	1,089	1,089
Norwegian	16	25,899	—	—	16	25,899	—	—	1,517	1,517
Panamanian	12	7,756	—	—	12	7,756	—	—	95	95
Portuguese	—	—	3	648	3	648	70	296	—	296
U.S.S.R.	6	5,865	—	—	6	5,865	—	—	36	36
Swedish	1	3,395	—	—	1	3,395	—	—	1	1
Philippines	2	4,524	—	—	2	4,524	—	—	242	242
Total Foreign	108	236,845	21	3,537	129	240,382	811	508	12,580	13,088
Total	197	481,120	82	57,510	279	538,630	8,619	22,552	19,722	42,274

Oversea Chinese Rehabilitation Loan

In our Oct. 16 issue, page 8, was reported about the progress of the HK\$4,000,000 loan to local merchants and manufacturers. Meanwhile outpayments were held up, since the National Government could not yet make available the full amount. Up to Nov. 16 only HK\$800,000, i.e. 20% of the promised total, were remitted by the Chinese Govt. to London and no news are obtainable about another instalment. The members of the Chinese Chamber of Commerce and HK Chinese Manufacturers Assn. have voiced their dissatisfaction with the long delay.

Govt. inspired news in Nanking and Shanghai stated last week that about US\$ 60 millions will be distributed by the National Govt. to overseas Chinese who have suffered losses as a result of war. Oversea Chinese in Hongkong and British Malaya are said to be entitled to receive US\$ 20 million, the larger part allotted for Malayan Chinese, N.E.I. Chinese would receive US\$17, Chinese in the Philippines US\$5, Chinese in Siam and Indo-China each US\$ 1 million. The remainder apparently goes to Chinese elsewhere in the Far East. The local branches of Bank of China and Bank of Communications named in the reports as agents for outpayments do not know what it is all about. In the light of the delay of the remittance of the outstanding loan of HK\$ 3.2 million and the known dearth of foreign exchange in China the rather large amounts for overseas Chinese relief loans appear to be more in the nature of wishful thinking.

Shanghai Bankruptcies

Decline in stock and share prices on the official and unofficial markets in Shanghai has forced a large number of small operators into insolvency. A large brokerage firm also collapsed with about one billion CN\$ debts. Prolonged stagnation not to mention slumps cannot be borne by most speculators and brokers since they all operate with borrowed funds at an exorbitant monthly rate of interest (usually between 16 to 20% p. m.). If prices do not quickly move up, these speculators are sunk and have to go out of business; at least for some time until they find new creditors.

The Shanghai City Govt. predicts that, in consequence of unstable financial conditions of many commercial companies in Shanghai (which just as well applies to companies in other large Chinese cities), at least 4,000 firms will have to close down before the end of 1946. Thousands of previously solid firms, apart from the mushrooming trading speculators of recent years, have fallen victim to the inflation economy of China. Companies are usually capitalised quite insufficiently but enjoy large credits and overdrafts at monthly interest rates of 16% on the average.

The firmness of CN\$ rate and the slow advance in commodity prices has led to a complete rout of all those companies which have built on a speculative basis only.

Slumps on the Shanghai Exchange

The Shanghai Securities Exchange, limited only to Chinese nationals and listing only 20 Chinese companies shares, is not doing well which can be seen from the fact that brokers' seats in the Exchange sell at a discount. When the Exchange opened in Sept. every broker was required to put up a deposit of CN\$ 20 million. Shortly after seats was "traded" at a premium of about 30%. When business turned out rather disappointing in October two large brokers discontinued their operation at the Exchange, with several smaller brokers revealing their readiness to withdraw as well. Consequently the price for seats went down amounting to a 30% discount. The Exchange Rules stipulate that deposits can only be recovered two months after notice has been given. The discount therefore means that withdrawing brokers discount their tied-up money at 15% p. m.

Delays by HK Exchange Control

A number of local importers are very disappointed about the handling of their applications by the Exchange Control. Their applications to the Financial Secretary for permission to open a Letter of Credit in US\$, the exchange being provided by the importers from open market sources, are not answered for several weeks. Delays often amount to 3 weeks.

Such importers point out that these delaying practices will lead to much unnecessary inconvenience and losses. American exporters do not realise local difficulties and are likely to cancel a deal which cannot be concluded within a reasonable time.

Local merchants lose "face" abroad and before their Hongkong customers. Often they have, in order to keep their customers, to make purchases of goods on the local market since they are not able to open a Letter of Credit in due time. Local industries which are held up in their production for lack of semi raw material supplies, ordered by importers, are also suffering from delays in the Exchange Control.

Shanghai Billionaires

Hundreds of rich Chinese families have taken up residence in Hongkong since conditions in Shanghai are not to their liking.

Men with a not to clean record during the days of the Wang Ching-wei Govt. have also preferred to remove their abode to the Colony. Lastly, political and civic personages of China who disagree with the composition and methods of the National Govt. propose to wait here until the arrival of more opportune days.

However, not every "escapee" had an easy time here. Many authorised or self-styled Chinese "special elements" have visited the reputedly rich members of Shanghai families in Hongkong and have often succeeded to extort considerable sums for "protection" or otherwise.

Several members of Special Service personnel coming from Shanghai to Hongkong have returned to their headquarters as wealthy citizens. The victimised Shanghai families only talk among themselves about these "outrages" but they obviously do not want the public and the proper authorities to know of extortions and blackmail they have allowed to be perpetrated on themselves.

Mr. Julean Friedman

As U.S. Labour Attache in China attached to the U.S. Consulate General, Shanghai, Mr. Friedman arrived first here about two months ago where he attended the meeting of the Chinese Industrial Co-operatives. He was appointed later Professor of Sociology at University of Shanghai but could not take up this assignment as he has been invited to teach at the London School of Economics where he will be assistant to Prof. Harold Laski. Mr. Friedman has been disappointed with conditions he found in Shanghai and China. While in Hongkong he inquired also in the problems of Hongkong from trade, industrial and shipping points of view. Progress so far made in the Colony impressed Mr. Friedman very favourably and he predicted for Hongkong a period of prosperity.

Chinese Govt. Revenue

Receipts have not kept step with the depreciation of CN\$ so that, apart from the fact that expenditures have increased both absolutely and relatively, the Central Govt. has to consider extraordinary measures such as the quick sell-out of enemy and puppet properties. Govt. derives currently revenue from 1) land tax in money and in cereals; Customs duties; Consolidated taxes; direct taxes; consumption taxes 2) Profits by Govt. operated enterprises 3) Sales of enemy and puppet properties.

But for Customs duties which are the pillar of Govt. revenue other receipts have been very small considering the requirements of Nanking. The delay in industrial rehabilitation of China has tended to reduce all hopes entertained about the height of receipts from consolidated taxes. The system of direct taxes is rather new to China and the perfection of tax evasion is notoriously unsurpassed in Shanghai, the place where most of tax receipts ought to accrue. Govt. owned or operated enterprises yield regularly every month very high profits considering output and working capital but from the viewpoint of the Treasury receipts are paltry. The largest revenue is derived from profits made by China Textile Development Corp. which remits monthly about CN\$ 10 million (not billion!). All hopes for an improvement in Govt. receipts are therefore centered on sales of taken-over properties, in other words another form of Japanese reparations.

EXCHANGE MARKETS

Hongkong

The Chinese dollar slumped from HK\$ 92½ futures and HK\$ 119 spot at the week's opening to \$82 and \$108 (for CN\$100,000) respectively at the end of the week under review (Nov. 16). Selling pressure was maintained throughout the week. Gold declined considerably from the week's highest of HK\$322 per tael to \$299 at the week's closing. The lowest price was \$295. US\$ appreciated slightly during the week under report for bank notes to 4.70 and for T.T. on New York 4.75 to 4.90.

Shanghai

Devaluation rumours and strong merchant demand featured the market which was quite excited towards the last two days of the week ending Nov. 16. The Chinese dollar underwent once again a severe test and all prices increased on wholesale and retail markets. Gold which came once up to CN\$260,000 per oz. has slightly declined in terms of US\$ which currency was in big demand while supplies did not come forward in any necessary quantity.

Shanghai cross rate for sterling came down to US\$3.25 while in Hongkong the sterling cross rate was about US\$3.10. The cross rate for gold in Shanghai at the end of the week under report was US\$50 and in Hongkong about US\$50½ per ounce (or US\$63 per tael).

Hongkong's Trade in October

(By a Trade Analyst)

The trade returns issued by the Statistical Office of the Imports and Exports Department show a slight reduction in imports of \$3,261,752 compared with September, and a reduction in exports of \$4,195,884. On the import side there have been fewer commodities coming from the United Kingdom, Australia, French Indo-China, and India. There have been increased imports from Belgium, Siam, U.S.A. and Italy. After showing nil returns for most of the year, South and East Africa sent substantial quantities of goods for the first time. The largest increases were from China and Macau. This may be the first sign of the long awaited jump in China's export trade consequent upon the devaluation of the C.N.C. dollar. There has also been a sharp rise in imports from Malaya.

Turning to the commodity import lists, foodstuffs show a big decline. This is to be expected as stocks fill up and the agriculture of neighbouring countries gets into its stride once again. The other item which shows a big decline in imports is piece goods and textiles, but this is probably due to the general world famine in textiles. There has been a big increase in metals from approximately \$4½ million to over \$11 million in a month. Exports of metals have risen by \$3 million. It is reasonable to suppose that much of this item consists of capital goods required by neighbouring countries, and once in production Hong Kong may benefit by handling their products while in transit for overseas markets. The largest decrease in exports has been textiles which has dropped from \$31½ million to less than \$14½ million. These figures reflect the full effect of the government ban on the export of cotton piece goods which came into effect in the middle of September and the recent tightening on the movement of textiles generally. Another interesting feature is the appearance of the U.S.S.R. as an importer of goods from Hong Kong. Mentioned for the first time this year, the U.S.S.R. took nearly \$5 million of commodities and became immediately our seventh best customer.

The published figures must be used with caution. No trade trend can be deduced from one particular month, and a different picture might have been presented if the ships at present held up on the West Coast of America and in Singapore had arrived in the colony.

The figures for the first ten months of this year still show that the bulk of Hong Kong's trade is confined to the Pacific countries.

Australia, Malaya, French Indo China, Macau, Siam and U.S.A. have supplied by far the largest proportion of our imports with China and Malaya well to the fore in the export field. Only the United Kingdom and India outside the Pacific Ocean show any appreciable amount of trade, but Italy and Norway are becoming more prominent and South Africa seems to be taking a special interest.

Gold Trade of Hongkong

Gold imports and exports before the war involved large amounts as will be seen from the figures for 1936 and 1937:

Imports ('000 omitted)			
	1936	1937	
Gold bars	\$ 3,656	\$11,112	
„ coins	—	331	
„ leaf	5	7	
Exports ('000 omitted)			
	1936	1937	
Gold bars	\$33,217	\$10,979	
„ coins	760	2,567	
„ leaf	356	551	

Since the liberation of the Colony no gold imports were permitted by government until August 1946. A rather large quantity of gold imports were then granted and as from beginning of September gold imports from Mexico and U.S. have been recorded. (Compare our issue of October 30, page 3).

September gold imports amounted to:	
from Mexico	HK\$3,210,000
„ U.S.	HK\$ 420,000
	HK\$3,630,000

October gold imports amounted to:	
from U.S.	HK\$3,521,000
„ Mexico	HK\$2,350,000
	HK\$5,871,000

Local financial circles estimate that the total amount of gold bars and coins to be imported under licence from Dept. Supplies, Trade & Industry, after approval by Financial Secretary, ought to approximate US\$5,000,000, or at the average open market rate at which gold had to be bought in America about HK\$24 millions. Until the end of October gold imports to the value of HK\$9,500,000 have arrived here. The larger part of gold orders is still held up in U.S. owing to the prolonged shipping strike; another part has already arrived during the first half of November and a large lot is now afloat.

Gold shipped from Mexico is in coins (of 1 tael each) while gold from U.S. is in form of bars (or ingots).

Hongkong's Imports and Exports for October and the First Ten Months of 1946

Imports of merchandise into the Colony of Hong Kong during the month of October, 1946, amounted to a declared value of \$107,503,186 as compared with \$46,870,925 in the month of October, 1939.

Exports of merchandise totalled a declared value of \$93,638,112 as compared with \$43,883,708.

Imports during the first ten months of 1946 amounted to a declared value of \$739,121,324 as compared with \$490,524,087 in the first ten months of 1939. Exports totalled \$610,083,368 as compared with \$446,814,470.

No cognizance has been taken in the following tables of Government-sponsored cargoes.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES FOR OCTOBER 1946

COUNTRIES	Imports from		Exports to	
	1939	1946	1939	1946
	\$	\$	\$	\$
United Kingdom	1,645,451	7,171,641	1,613,540	798,017
Australia	698,193	4,002,220	358,508	355,641
Burma	16,293	—	364,580	81,604
Canada	189,509	901,763	252,862	101,662
Ceylon	28,698	10,076	163,087	191,405
East Africa	13,000	346,202	15,412	—
India	625,891	2,353,856	1,123,189	2,233,408
Malaya (British)	1,155,765	8,265,993	4,839,646	15,557,391
New Zealand	3,722	421	34,343	550
North Borneo	256,014	701,967	135,439	302,446
South Africa	54,988	211,308	430,377	500,388
West Africa	—	—	110,052	28,302
West Indies	—	—	568,752	103,330
British Empire, Other	6,000	1,794,275	190,435	319,314
Belgium	161,302	2,313,121	6,502	311,755
China, North	15,153,807	8,716,061	2,065,357	14,688,067
China, Middle	122,261	2,654,653	199,699	7,780,421
China, South	1,201,241	21,550,099	1,538,584	16,502,083
Cuba	1,727	—	17,166	—
Central America	—	—	384,971	22,825
Denmark	39,325	661,538	58,901	100,580
Egypt	—	9,092	35,493	283,283
France	151,578	185,152	231,904	703,630
French Indo China	4,190,736	7,536,366	2,941,450	4,168,953
Germany	47,984	—	—	—
Holland	156,215	41,466	391,699	499,743
Italy	59,541	2,070,044	2,276	49,680
Japan	1,614,720	—	598,420	1,434
Kwong Chow Wan	3,247,677	868,301	5,777,071	641,043
Macao	3,385,358	6,999,874	4,325,953	2,827,891
Norway	10,730	1,094,950	67,167	67,154
Netherlands East Indies	4,430,491	652,000	2,345,125	790,967
Philippines	201,508	2,791,185	1,061,809	1,963,324
Portugal	4,351	119,944	—	—
Siam	3,511,039	3,102,225	1,505,449	5,591,776
South America	—	64,710	139,075	8,605
Sweden	30,201	130,162	42,801	190,849
Switzerland	12,099	588,285	—	—
Spain	342	6,610	—	—
U.S.A.	4,167,526	18,974,261	9,396,740	10,825,463
U.S.S.R.	—	—	—	4,855,644
Others	66,645	615,365	601,674	188,274
TOTAL	46,870,925	107,503,186	43,883,708	93,638,112

TOTAL VALUES OF IMPORTS & EXPORTS BY MAIN GROUPS FOR OCTOBER 1946

Articles	Imports		Exports	
	1939	1946	1939	1946
	\$	\$	\$	\$
Animals, Live	1,149,356	3,497,228	44,494	791,915
Building Materials	597,261	2,456,142	350,036	2,300,374
Chemicals & Drugs	478,959	2,858,564	407,171	4,096,536
Chinese Medicines	1,674,003	5,334,465	2,729,909	2,285,694
Dyeing & Tanning Materials	221,106	1,729,566	791,961	11,696,012
Foodstuffs & Provisions	11,931,201	17,442,309	8,026,558	38,603
Fuels	1,345,460	1,664,606	45,037	1,211,557
Hardware	237,863	618,661	247,372	690,036
Liquors, Intoxicating	304,708	1,552,554	146,107	213,701
Machinery & Engines	266,577	309,073	285,837	654,940
Manures	3,645	182,561	297,653	8,368,110
Metals	862,159	11,048,540	1,581,637	909,723
Minerals & Ores	59,840	78,000	585,458	946,213
Nuts & Seeds	907,239	1,574,663	76,322	16,299,202
Oils & Fats	8,562,183	12,388,385	7,123,632	444,911
Paints	110,405	428,453	176,031	4,616,270
Paper & Paperware	583,498	6,174,840	643,287	14,352,753
Piece Goods & Textiles	11,109,890	11,355,728	7,952,593	65
Railway Materials	—	—	—	—
Tobacco	616,974	3,959,960	584,746	5,028,120
Treasure	157,787	5,879,320	11,262,663	312,355
Vehicles	260,945	1,958,888	687,046	2,350,058
Wearing Apparel	362,409	1,264,357	3,044,582	20,255,309
Sundries	5,225,244	19,625,043	7,456,174	—
Total	47,028,712	113,382,506	55,146,371	98,686,222
Merchandise only	46,870,925	107,503,186	43,883,708	93,638,112

Silver Trade of Hongkong

Silver exports and imports of the Colony were always one of the most important items in the local trade.

Imports ('000 omitted)			
	1936	1937	
Silver Bars	\$ 45	\$ 6,448	
H.K. Silver \$	277	—	
Chinese Silver \$...	45,241	152,676	
Other Silver dollars	22	—	
Silver sub-coin	740	135,339	

Exports ('000 omitted)			
	1936	1937	
Silver Bars	\$ 25	\$ 5,985	
H.K. Silver \$	49,176	403	
Chinese Silver \$...	2,975	262,617	
Other Silver dollars	15,345	5,129	
Silver sub-coin	17,201	87,519	

Silver is now mostly exported to India, U.K. and Shanghai. During the first ten months of 1946 silver exports totalled almost HK\$16 million, while imports were valued only at about HK\$3½ million. In October silver exports valued about \$5 million. Imports were practically none.

Silver in bars was shipped to U.K. to the value of \$3,524,200, and to India to the value of \$1,370,000 during the month of October.

During September silver exports, totalling a value of HK\$2½ million, went to India for \$1,792,000, and to Shanghai for \$716,000.

All figures are based on official returns. It must be understood that the actual trade in gold and silver is much larger than the above figures suggest as smuggling on a considerable scale is conducted. In case of gold where exports are prohibited smuggling out of the Colony is well known. Much of the Mexican and U.S. gold imports have left Hongkong although a few smugglers were apprehended by the police.

London Financial Report

(From a Correspondent in London)

The general upward trend of prices in 1945, which applied to most sections of the market, continued this year, although with less force, up to the middle of July. At this period there was a sudden halt. It was evident that small investors and novice speculators became nervous when prices began to follow a horizontal line; to a degree quite understandable in the light of the fact that markets had been rising so consistently. This position created a wave of selling on the part of relatively small holders, but the accumulation of comparatively speaking trifling numbers of shares, to be thrown on the market, made quite a large volume, and sufficient for prices to be marked down. The primary downward trend lasted for about a fortnight, to be superseded by a distinct recovery. In early September there was a break in Wall Street, and while, owing to currency restrictions, the New York market is now practically divorced from London it still has what might be termed a sentimental influence. For seven days our markets continued to decline, the selling on the part of the small holder still dominating the position. On these occasions the genuine investor, and especially the institutional investor, is inclined to stand aloof, and without buying, to resist the selling, quotations were bound to recede.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

FOR JANUARY TO OCTOBER 1946

COUNTRIES	Imports from		Exports to	
	1939	1946	1939	1946
	\$	\$	\$	\$
United Kingdom	35,759,813	30,794,562	17,306,585	14,189,868
Australia	5,529,623	28,637,009	2,823,760	3,299,739
Burma	997,680	—	4,823,456	959,445
Canada	4,155,864	9,256,477	1,944,432	598,206
Ceylon	231,568	235,927	1,087,463	998,694
East Africa	312,479	457,592	156,642	62,780
India	7,406,003	41,957,284	7,022,880	16,996,761
Malaya (British)	11,17,493	59,463,578	34,532,551	142,702,332
New Zealand	358,727	103,186	653,897	161,529
North Borneo	2,496,727	2,027,653	1,301,399	1,251,622
South Africa	1,444,783	230,936	2,538,646	803,072
West Africa	—	—	943,091	49,731
West Indies	2,709	700	4,207,396	137,662
British Empire, Other	452,620	19,723,193	2,423,591	702,553
Belgium	5,562,580	6,625,443	1,307,623	983,002
China, North	130,231,888	76,977,638	37,868,530	89,734,712
China, Middle	15,289,080	38,804,758	21,760,502	36,385,160
China, South	37,592,712	142,681,528	19,866,324	112,670,672
Cuba	3,656	—	139,533	80,257
Central America	10,762	77,208	1,633,286	107,530
Denmark	1,687,670	1,148,070	841,584	2,475,680
Egypt	84,226	313,309	245,403	1,497,168
France	2,488,125	1,052,332	6,282,891	2,115,905
French Indo China	31,129,772	53,912,982	48,365,042	29,492,169
Germany	12,980,279	—	12,612,096	1,568,309
Holland	3,973,554	110,537	5,770,776	261,414
Italy	22,966,431	2,893,786	177,675	1,434
Japan	20,563,000	4,375,517	37,204,993	1,994,964
Kwong Chow Wan	26,446,314	63,300,902	36,760,680	26,309,081
Macao	603,510	6,504,345	462,897	1,470,626
Norway	30,676,797	3,195,450	12,363,458	3,116,948
Netherlands East Indies	1,907,134	12,591,462	9,665,608	9,486,813
Philippines	80,828	493,818	11,663	9,848
Portugal	24,275,290	23,835,298	11,943,842	39,901,781
Siam	687,460	86,874	1,008,950	212,509
South America	908,723	2,730,042	675,436	2,727,353
Sweden	247,262	78,978	—	—
Switzerland	45,095,163	102,333,931	63,072,215	59,440,714
Spain	—	—	—	4,855,644
U.S.A.	—	—	—	269,681
U.S.S.R.	4,758,674	1,088,116	30,419,846	—
Others	—	—	—	—
TOTAL	490,524,087	739,121,324	446,814,470	610,083,368

TOTAL VALUES OF IMPORTS & EXPORTS BY MAIN GROUPS

FOR JANUARY TO OCTOBER 1946

Articles	Imports		Exports	
	1939	1946	1939	1946
	\$	\$	\$	\$
Animals, Live	12,054,649	25,976,190	363,667	—
Building Materials	6,738,526	16,854,194	2,510,921	3,005,793
Chemicals & Drugs	6,488,376	23,283,926	6,014,617	19,052,809
Chinese Medicines	22,212,231	58,140,269	19,081,162	52,915,469
Dyeing & Tanning Materials	7,482,426	9,167,981	7,978,095	6,442,728
Foodstuffs & Provisions	109,501,132	174,853,672	88,831,813	89,883,011
Fuels	12,579,049	9,671,557	587,117	315,694
Hardware	4,102,750	4,030,487	3,558,454	6,159,771
Liquors, Intoxicating	3,960,776	9,097,072	1,235,027	4,944,389
Machinery & Engines	9,750,280	5,673,182	6,552,562	967,076
Manures	7,733,271	1,210,033	7,559,822	3,479,706
Metals	33,401,013	29,583,836	34,465,199	28,894,190
Minerals & Ores	4,300,054	1,046,714	21,130,753	1,598,362
Nuts & Seeds	8,408,732	17,736,039	5,459,657	9,568,958
Oils & Fats	67,803,733	87,359,199	58,338,860	101,279,286
Paints	1,741,440	3,180,269	1,536,812	3,090,956
Paper & Paperware	9,052,087	26,912,680	6,126,634	25,026,029
Piece Goods & Textiles	81,083,486	73,590,177	61,345,397	117,661,168
Railway Materials	76,152	5,521	76,033	16,926
Tobacco	8,568,266	19,144,836	8,477,443	4,522,843
Treasure	723,057	9,745,558	67,576,644	15,908,693
Vehicle	12,706,923	11,237,293	19,249,044	1,088,485
Wearing Apparel	3,443,704	8,266,936	22,145,735	16,289,103
Sundries	57,335,031	123,099,261	64,012,666	113,850,616
Total	491,247,144	748,866,882	514,391,114	625,992,061
Merchandise only	490,524,087	739,121,324	446,814,470	610,083,368

Another feature which disturbed the optimistic atmosphere was the distinct change of front so far as gold mining shares were concerned (and especially those of the newcomers with properties within the Orange Free State. Here declines were distinctly drastic, Free State Development and Investment Corporation ("Freddies") shares of 5/- each falling from £7.10.7½d. to about £4.1.3d.—a drop of 46%).

The decline in the quotations of industrials, amounting to about eleven points or 6.9%, halted towards the close of September, and since then there has been a steady and marked recovery although quotations have not yet advanced to the peak of July. The improvement has been about four points or 2.55%, which that prices must advance seven points or 4.14% to bring them back to the July peak.

What has again created a leaning towards industrials is the continued determination on the part of the Government to maintain a policy of cheap money and to endeavour to force interest rates even still lower. The recent announcement to repay on January 5th next the £429,000,000 Local Loans 3% Stock, 1912 or after, while not altogether unexpected, certainly came as a surprise to the market. This issue was created as far back as 1887, and the Government have had the right, by the inclusion of the words "or after" to pay off the stock since the 5th April 1912. As interest was not free of tax to residents abroad it has only been an issue that has appealed to investors in this country. The Chancellor intends to issue 2½% Treasury Bonds, 1975 or after, into which holders of Local Loans are offered the "privilege" of conversion.

The short period which has elapsed since the announcement was made discloses that the new loan is not regarded with favour. The inclusion of the words "or after" makes the new issue a semi-irredeemable holding. Many investors, institutions, trustees and others hold gilt edged and similar stocks virtually by compulsion and cannot place their funds in other directions. In consequence of this there is no doubt many holders are likely to convert, but there are a number disposing of Local Loans and not waiting for the redemption date of January 5th next. Where they are forced to place money into the trustee list they are buying definitely dated stocks, causing quotations to rise substantially. Savings 2½%, 1964/7, command a premium of 2½%, giving an immediate yield of £2.8.7 gross. Where investors have a free hand they are disposing of Local Loans and reinvesting in leading industrials. As to the immediate future of the latter opinions are necessarily diversified for there is unquestionably an element of uncertainty as to the position of coal, any intensified shortage obviously would seriously impede industrial output with disturbing consequences.

We sum up the present market position as follows:—

- (1) It must be assumed that for the time being 2½% can be taken as the interest rate for Government borrowing.
- (2) That leading industrials are not likely to recede in price unless the market is disturbed by labour, political, international and other influences such as adverse news of the coal position.
- (3) That buying of industrials will continue to be selective.

Hongkong's Trade with U.S.S.R.

For the first time since the liberation of the Colony exports to the Soviet Union were recorded in October. The total value was \$4,855,644.

The Soviet Union through its local purchasing office "Exporthleb" bought and shipped:

Chinese Medicines for \$ 70,644
13,217 piculs of tin (in slabs) for 4,005,000
33 piculs of bismuth ore for ... 30,000
6,188 piculs of wolfram ore for ... 750,000

According to the above figures the approximate prices per pound for tin was \$2.30, for bismuth ore \$6.80, and for wolfram ore \$0.90.

(One local picul equals 133.33 lbs. 15 piculs to a short ton of 2,000 lbs., and 16.8 piculs to a long ton of 2,240 lbs.).

Correspondence

The Editor,

THE ECONOMIC REVIEW,

Sir,—I am an old resident; I passed my "griffinhood" many, many years ago, and all the years I have been in the Colony, I have had an interest in most of the local companies.

Of late I have been receiving the printed account of these Companies, and, being the veriest amateur in the mysteries of accountancy, have had the greatest difficulty in discovering the few simple facts I desired to know, (i.e. what the company had in 1941, what has been lost or mislaid, and, more importantly, what is left to carry on with.

I have waded through some of the accounts received and added and subtracted in a vain effort to discover the required facts, with little certitude that I have got the answer correct.

The other day I received the Accounts of the China Provident, and lo and behold some benefactor had laid out on a plate the whole information in such an understandable manner that even I found comprehensible, and I take this opportunity of registering my appreciation.—Yours &c.

NON-ADDER.

COMPANY NEWS

Reports Analysed

The China Provident Loan & Mortgage Co., Ltd.

Issued Capital: \$2,211,065 consisting of 442,213 shares \$5 each fully paid—Price \$13½ Yield—

Debentures: Nil.

Business: Operates Godowns, owns property and has substantial interest in Sandakan Light & Power Company.

Profits: Profit for eleven months of 1941 before charging War Losses \$578,000.

Estimated War Losses of \$1,148,000 written off out of Reserves and Profit and Loss Appropriation A/c. balance. Profit for 4 months to 31st December, 1945—\$114,000. After providing for Sinking Fund Instalments, further War Losses, etc., the balance of Profit & Loss Appropriation A/c. carried forward is \$118,000.

Pre-war comparative figures:—

Year	Net Profit	Earned per Share	Dividend Paid	Share Price Range	High	Low
	\$	%	%	\$	\$	\$
1940	419,000	19	15	5.25	8.35	
1939	284,000	12.8	10	6.75	5.40	
1938	556,000	25.2	15	4.00	1.95	

Balance Sheet: Current Assets—\$463,000 against Current Liabilities—\$228,000.

Fixed Assets after writing off War Losses and Depreciation—\$2,281,000.

Position: Despite loss of 12 Godowns during the war, the Company, which is conservatively financed, is making a good recovery.

Lane Crawford Limited

Issued Capital: \$750,000 consisting of 75,000 shares of \$10 each fully paid, Price 22 Yield—

Debentures: Nil.

Business: Departmental Store; also operates Café, Bakery, etc.

Profits: Profit for 10 months to 31st December, 1941—\$371,000.

Profit for 8 months to 30th April, 1946—\$549,000 plus profit on sale of Exchange Building—\$100,000.

War Losses amounting to \$888,000 written off out of Reserves and Profit and Loss A/c. leaving balance of profit and reserves carried forward—\$186,000.

Comparative Earnings figures:—

Year	Net Profit	Earned Div. %	Share Price Range	High	Low
	\$	%	%	\$	\$
1941 (8 months to 31 April)	210,000	28.2	—	—	—
1941 (6 " " 31 Dec.)	271,000	49.4	—	—	—
1941 (12 " " 28 Feb.)	62,000	8.2	8	—	—
1940 (12 " " 29 Feb.)	97,000	12.9	8 9½	—	7
1939 (12 " " 28 Feb.)	124,000	16.5	8 9½	—	6½

Balance Sheet: Current Assets \$1,791,000 against Current Liabilities \$956,000. Net Assets equal \$12.50 per share, but note to Balance Sheet indicates no provision has been made for interest on overdraft of \$1,600,000 during Pacific war period. Liquid position is, however, strong.

Position: Current earnings appear to be running at a high level.

The Hongkong Fire Insurance Co., Ltd.

Issued Capital: \$800,000 consisting of 40,000 shares of \$50 each (\$20 paid up) Price \$255 ex. div.

Debentures: Nil.

Business: Insurance in Hongkong, and through agencies in China, Malaya, India, etc.

Profits: Unlike most local Companies, Hongkong Fires carried on business outside occupied areas during Pacific War. Surplus on closed A/c. 1940-1944 was \$3,699,000. Dividend of \$30 for period (or 6 per annum) takes \$1,200,000, transfer to Reinsurance Fund \$2,105,000, and to Investment & Exchange Fluctuation \$394,000. The accounts run for two years before being closed, and the balance of Profit for 1945, viz. \$843,000 is therefore carried forward.

Comparative Earnings—Closed A/cs.

Year	Profit \$	Earned %	Dividend %	Share Price Range	High	Low
	\$	%	%			
1944	827,000	103.4	80			
1943	880,000	110.0	30			No quotation
1942	353,000	44.1	30			
1941	863,000	107.9	80			Dec. 200
1940	777,000	97.1	30			190-170
1939	670,000	83.8	55			195-165
1938	669,000	83.6	60			247-175

Balance Sheet: Very strong position. Investments increased from 1941 to 1945 by \$3,227,000. Net Assets after payment of dividend total \$9,010,000, representing \$225 per share.

Position: This old established Insurance Company has come through the war in a better financial position than ever. Reserves are very strong.

The Vibro Piling Co., Ltd.

Issued Capital: \$96,900 consisting of 32,300 shares of \$3 each fully paid. Present Price: No quotation Yield—6 December, 1941: \$7.20.

Debentures: Nil.

Business: Constructional Engineers, Licences of The British Steel Piling Co. Ltd.

Profits: Profit for 1941 (not audited) \$55,000 including \$34,000 profit on sale of Plant. War Losses \$57,000 written off from Reserves. Loss for 6 months to 30th June, 1946 \$13,000. Credit Balance on P. L. Appropriation A/c. carried forward \$20,000.

Pre-War comparative Earnings:—

Year	Profit	Earned	Dividend	Share Price Range	High	Low
	\$	%	%	\$	\$	\$
1938	55,000	56.8	25	7.00	5.10	
1937	24,000	24.7	16.6	7.00	5.50	

Balance Sheet: Current Assets \$72,000 against Current Liabilities \$12,000 net Assets equal \$3.60 per share excluding claims for repayment.

Position: Plant and Equipment in course of rehabilitation. Reconstruction work in the Colony should keep Company's Order Book full for sometime.

China Light & Power Company Limited

Notice to Shareholders

Notice is hereby given that the Twenty-third Ordinary Meeting of the Shareholders will be held at the Office of Messrs. David Sassoon & Co., Ltd., 1st floor, Prince's Building, Chater Road, Victoria, Hongkong, on the 14th day of December, 1946, at 12 noon, for the purpose of confirming the appointment of the Board of Directors and receiving the Reports and Statements of Accounts for the year ended 30th September, 1941, three months ended 31st December, 1941, and for the period 1st January, 1942 to the 31st August, 1945, and to elect Directors and appoint Auditors.

And notice is hereby also given that at the same time and on the same day at 12 noon or so soon afterwards as the Ordinary General Meeting shall be concluded an Extraordinary General Meeting will be held for the purpose of considering and if thought fit of passing the following Resolution as an Ordinary Resolution namely:—

"That the Authorised Capital of the Company be increased to \$25,000,000 by the creation of 2,000,000 new shares of the nominal value of \$5 each, and that such new shares be issued at such time or times, and on such terms and conditions as the Directors in their absolute discretion shall see fit."

By Order of the

Board of Directors.

P. W. A. WOOD,
Secretary & Chief Accountant.

Hongkong, 18th November, 1946.

HONGKONG STOCKS & SHARES

Quotations:
(Prewar prices were published in our Oct. 16, 23 & 30 issues).

	Closing Rates on Nov. 16:	Business done during the week
Buyers	Sellers	
H.K. Government 4%	105½	—
H.K. Government 3½%	101	—
H.K. Banks	1,375	1,385 \$1,370/1,375
Union Insurances	630	635
Canton Insurances	390	410 (C.D.)
H.K. Fire	255 (X. Div.)	—
China Underwriters	1	—
Wharves	150	155
Docks	—	18
China	—	—
Providents	13½	14 13.50/14
Douglas	—	—
Steamships	200	—
H.K.C. & M.	—	—
Steamboats	12	—
"Star" Ferries	67½	—
Yaumati	—	—
Ferries	23½	24
Hongkong	16½	16½/16½
Hotels	86½	87
H.K. Lands	—	—
Humphreys	20½	—
Estates	19½	—
H.K. Realty & Trusts	15½	15½
H.K. Tramways	28½	29
H.K. Electric	34	34
Macao Electric	—	20
(Old)	11½	12½ 12/12½
China Lights	7½	8½
(New)	36	36½
H.K. Telephones	19½	—
(New)	—	20
Green Island	14½	15
Cements	11	—
H.K. Ropes	33½	—
Dairy Farms	23½	23½
A. S. Watsons	—	—
Lane Crawfords	22	—
Wm. Powells	3	—
China	—	—
Emvoriiums	4.10	4.30 4.20
The Sun Co., Ltd.	3.00	3.10 3.10/3.00
Sincere Co., Ltd.	6.40	6.60 6.60/6.50

Tone: Slightly easy. Buyers: Holding off.

Hongkong Exchange Shops

Selling Prices in HK\$

	Gold per	US\$
November	CN\$	tael
12	857	316 15.70
13	862	312 15.70
14	872	308 15.70
15	895	300 15.60
16	900	299 15.60

Shanghai Exchange Shops

Selling Prices in CN\$

	Gold per	US\$	HK\$
November	ounce		
11	241,000	4,170	890 14,200
12	243,300	4,300	890 14,200
13	244,000	4,350	900 14,500
14	245,000	4,400	900 14,600
15	248,000	4,600	930 14,800
16	254,000	4,900	965 15,200

US FEDERAL RESERVE

Million \$

	Oct. 11, 1945	Oct. 10, 1946
12 U.S.F.R. Banks	—	—
Resources	—	—
Gold certifs. on hand and due from Treasury	17,116	17,342
Total reserves	17,867	18,122
Total cash reserves	227	280
Total U.S. Govt. secs.	23,272	23,502
Total loans and secs.	23,588	23,774
Total resources	43,619	44,415
Liabilities	—	—
F.R. notes in circn.	24,137	24,552
Excess mr. bank res.	1,020	810
Mr. bank res. dep.	15,537	16,019
Govt. deposits	535	482
Total deposits	17,491	17,422
Total liabilities	43,619	44,415
Reserve ratio	42.9%	43.2%
Bank and Treasury	—	—
Resources	—	—
Monetary gold stock	20,040	20,305
Treasury & bank currency	4,257	4,544
Liabilities	—	—
Money in circulation	27,962	28,606
Treasury cash and dep.	2,817	2,753

SWISS NATIONAL BANK

Million Swiss Frs.

	Oct. 6, 1945	Oct. 7, 1946
Assets	—	—
Gold	4,745.3	4,850.4
Foreign exchange	89.0	153.5
Discounts	234.6	24.6
Advances	17.9	34.4
Securities	63.7	54.9
Liabilities	—	—
Notes in circulation	3,596.7	3,743.2
Other sight liabs.	1,290.2	1,087.7

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	1929	1940	1941	1944	1945	1945 July	1945 Aug.	1946 June	1946 July
Population Oct., 1945: 140,000,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.										
1. Indust. production, adj. F.R.B.	1935-39=100	110	125	162	235	203	210	186	170	173
2. Indust. production, unadj. F.R.B.	"	110	125	162	235	203	211	188	171	174
3. Manufactures, dur. adj. F.R.B.	"	132	139	201	353	274	282	239	202	202
4. Manufactures, non-dur. adj. F.R.B.	"	93	116	142	171	165	165	157	161	158
5. Minerals, adj. F.R.B.	"	107	117	125	140	237	143	140	141	146
Building contracts awarded:—										
6. Total, adj. F.R.B.	1923-25=100	117	81	122	41	58	54	61	176	165
7. Residential, adj. F.R.B.	"	87	72	89	16	26	23	24	185	164
8. Other, adj. F.R.B.	"	142	89	149	61	102	79	91	169	167
9. Freight-car loadings, adj. F.R.B.	1935-39=100	152	109	130	140	135	139	128	133	139
10. Dept. store sales, adj. F.R.B.	"	117	114	133	186	207	218	200	275	274
Employment:—										
11. Non-agricultural, adj. F.R.B.	'000	—	31,784	35,668	38,698	36,981	37,231	36,888	37,652	39,158
12. Non-agricultural, unadj. B.L.S.	"	—	—	—	—	—	37,273	36,984	37,762	39,325
13. Non-agricultural, adj. F.R.B.	1939=100	106.0	104.7	115.7	127.5	121.8	122.7	121.5	124.0	129.0
14. Factory, adj. F.R.B.	"	—	—	—	—	—	151.7	147.6	138.7	140.4
15. Factory, unadj. F.R.B.	"	103.1	107.5	132.1	172.4	149.5	152.1	148.7	138.4	140.9
16. Factory, payrolls, unadj. F.R.B.	"	116.4	114.5	167.5	345.7	288.4	298.7	287.3	257.2	—
17. Average hours, B.L.S.	Number	—	—	—	—	—	44.0	40.7	40.0	—
18. Average hourly earnings, B.L.S.	Cents	—	67.0	73.8	—	—	103.0	102.4	108.4	—
19. Cost of living, F.R.B.	1935-39=100	122.5	100.2	105.2	125.5	128.4	129.4	129.3	133.3	141.0
Wholesale prices:—										
20. Farm products, B.L.S.	1926=100	104.9	67.7	82.4	123.3	128.2	129.0	126.9	140.1	-157.0
21. Foods, B.L.S.	"	99.9	71.3	82.7	104.9	106.2	106.9	106.4	112.9	112.9
22. Other commodities, B.L.S.	"	91.6	83.0	89.0	98.5	99.7	99.7	99.9	105.6	108.8
23. Wholesale commodity prices, unadj. F.R.B.	"	95.3	78.6	87.3	104.0	105.8	105.9	105.7	112.9	124.3
Bank Debts:—										
24. Total, all reporting centres	Million \$	81,878	37,155	44,783	74,326	81,178	79,163	73,208	86,667	—
25. New York City	"	50,257	14,299	14,810	28,799	33,712	33,590	29,388	34,972	—
26. Gold stock	"	3,996	21,995	22,737	20,619	20,065	20,152	20,088	20,270	20,267
27. Money in circulation	"	4,476	8,732	11,160	25,307	28,515	27,108	27,685	28,245	—
28. Member Bank Res. Balances	"	2,358	13,331	—	—	—	14,794	15,011	16,123	—
29. Member Excess Reserves	"	43	6,376	—	—	—	1,037	920	1,112	—
30. Capital issues, C.F. Chronicle	"	595	163	238	76	145	249	144	425	—
31. 354 Indus. secs., Stand. Statistics	1939=100	—	95	87	110	133	129	129	170	—
32. Yield on Govt. bonds	%	3.60	2.21	2.05	1.92	1.66	1.63	1.68	—	—
33. Income payments, adj.	1935-39=100	122.9	113.5	138.0	233.4	239.1	243.4	236.0	240.9	251.1
34. Treasury receipts	Million \$	4,032	7,606	8,269	45,408	47,740	2,754	3,281	4,482	2,600
35. Treasury expend., nat. defence	"	—	—	6,301	87,039	90,029	7,325	6,399	2,442	1,190
36. Treasury expend., total	"	3,852	12,774	12,711	93,744	100,405	8,557	7,354	5,513	4,514

(Continued from November 6 issue)

Investment Returns of Hongkong Public Companies

Following are investment returns of the leading 15 Public Companies of the Colony based on company results for the years 1927 to 1940.

(To be continued in next issue)

HONGKONG TRAMWAYS LIMITED

CAPITAL ISSUED 31.12.40:—

650,000 Shares each \$5.00 fully paid—\$3,250,000.00.

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 982,838	\$ 810,000	\$22.50	\$20.00
1928	970,940	810,000	27.50	19.00
1929	731,764	650,000	21.50	18.00
1930	741,296	650,000	22.25	17.50
1931	910,614	650,000	24.00	17.20
1932	1,029,455	780,000	23.25	20.00
1933	1,039,437	877,500	23.50	19.15
1934	945,528	812,500	23.40	19.00
1935	744,814	620,000	20.80	10.50
1936	541,127	390,000	14.70	8.83
1937	767,221	585,000	15.90	12.50
1938	1,184,954	877,500	17.75	13.00
1939	1,426,278	975,000	17.80	13.50
1940	1,105,477	975,000	18.50	13.90

\$13,122,744 \$10,362,500

Average Profit over 14 years—\$937,339 per annum.

Average Dividend over 14 years—\$740,179 p.a.—\$1.14 per share p.a. on Issued Capital.

Market Prices 1927/1940:—High 1928 \$27.50. Low 1936 \$8.85.

Investment Return on price of \$18.50 (15.9.41).

On average dividend over 14 years (\$1.14 per share)—6.2%

On Dividend paid for 1940 (\$1.50 per share)—8.1%

THE STAR FERRY COMPANY LTD.

CAPITAL ISSUED 31.12.40:—

80,000 Shares each \$10.00 fully paid—\$800,000.00.

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 291,211	\$ 280,000	\$ 59.00	\$51.00
1928	277,600	280,000	70.00	58.00
1929	314,448	320,000	74.50	64.00
1930	318,350	320,000	95.50	66.00
1931	398,540	400,000	97.25	88.00
1932	446,202	440,000	102.00	87.00
1933	484,900	440,000	101.00	89.00
1934	415,936	440,000	102.50	93.50
1935	394,048	440,000	100.00	76.00
1936	398,306	400,000	96.00	84.00
1937	463,525	460,000	93.00	79.00
1938	503,799	500,000	87.00	70.00
1939	501,490	480,000	73.00	58.00
1940	337,271	360,000	68.50	55.00

\$5,551,686 \$5,560,000

Average Profit over 14 years—\$396,549 per annum.

Average Dividend over 14 years—\$397,143 p.a.—\$4.96 per share p.a. on Issued Capital.

Market Prices 1927/1940:—High 1934—\$102.50. Low 1927—\$51.00.

Investment Return on price of \$52.00 (15.9.41).

On average dividend over 14 years (\$4.96 per share)—9.5%

On Dividend paid for 1940 (\$4.50 per share)—8.7%

GREEN ISLAND CEMENT CO., LTD.

CAPITAL ISSUED 31.12.40:—

195,494 Shares each \$10.00 fully paid—\$1,954,940.00.

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 121,523	—	\$ 9.00	\$ 6.25
1928	137,942	—	10.00	6.25
1929	227,097	136,000	10.50	7.50
1930	213,422	136,000	14.00	10.50
1931	325,422	204,000	21.40	16.25
1932	431,276	—	20.00	8.70
1933	Loss 614,524	—	12.55	1.60
1934	Loss 275,144	—	3.75	1.70
1935	24,049	—	7.60	2.75
1936	44,437	—	12.65	7.25
1937	470,995	244,368	16.00	10.75
1938	404,616	244,368	18.40	12.30
1939	551,116	342,114	17.25	11.50
1940	675,097	390,988	20.40	13.00

\$2,767,324 \$1,697,838

Average Profit over 14 years—\$197,666 per annum.

Average Dividend over 14 years \$121,274 p.a.—62 cents per share on present Issued Capital.

Market Prices 1927/1940:—Highest 1931—\$21.40. Lowest 1933—\$1.60.

Investment Return on price of \$17.50 (15.9.41).

On average dividend over 14 years (62 cents per share)—3.5%

On Dividend paid for 1940 (\$2.00 per share)—11.4%

CHINA LIGHT & POWER CO., LTD.

CAPITAL ISSUED 31.12.40:—

2,400,000 Shares each \$5.00 fully paid—\$12,000,000.00.

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 237,266	\$ 191,975	\$12.00	\$11.50
1928	282,396	140,782	14.00	9.50
1929	535,478	179,110	19.00	12.00
1930	593,066	619,978	29.25	19.00
1931	513,145	499,783	32.10	24.00
1932	657,806	562,777	22.75	12.90
1933	668,855	591,455	13.40	8.63
1934	781,284	684,319	11.00	8.45
1935	919,919	799,250	11.75	7.80
1936	885,637	834,300	15.80	7.00
1937	952,105	875,000	15.30	10.50
1938	1,063,021	934,200	12.75	9.75
1939	1,136,616	1,033,485	8.90	3.50
1940	1,207,118	1,099,735	9.00	5.75

\$10,453,712 \$9,076,159

Average Profit over 14 years—\$746,694 per annum.

Average Dividend over 14 years—\$648,297 p.a.—27 cents per share p.a. on Issued Capital.

Market Prices 1927/1940:—High 1931 \$32.10. Low 1939 \$3.50.

Investment Return on price of \$7.50 (15.9.41).

On Average dividend over 14 years (27 cents per share)—3.6%

On Dividend paid for 1940 (45 cents per share)—6.13%

HONGKONG ELECTRIC COMPANY, LTD.

CAPITAL ISSUED 31.12.40:—

900,000 Shares each \$10.00 fully paid—\$9,000,000.00.

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 1,474,220	\$ 750,000	\$60.00	\$48.00
1928	1,703,834	937,500	54.00	41.50
1929	1,307,704	1,125,000	67.75	54.50
1930	1,684,400	1,125,000	84.00	66.00
1931	1,698,060	1,125,000	84.25	75.00
1932	1,857,786	1,237,500	80.75	72.00
1933	1,884,856	1,350,000	78.00	71.00
1934	1,814,430	1,350,000	78.00	65.00
1935	1,838,543	1,350,000	73.00	52.00
1936	1,738,541	1,650,000	75.00	69.00
1937	1,934,000	1,600,000	61.50	50.00
1938	2,142,141	1,950,000	62.00	50.50
1939	2,676,600	1,950,000	58.75	49.00
1940	2,290,187	1,650,000	70.00	53.00

\$26,448,422 \$19,350,000

Average Profit over 14 years—\$1,889,173 per annum.

Average Dividend over 14 years—\$1,382,143 p.a.—\$1.54 per share p.a. on Issued Capital.

Market Prices 1927/1940:—High 1931 \$84.25. Low 1937 \$50.00.

Investment Return on price of \$24.50 (15.9.41).

On Average dividend over 14 years (\$1.54 per share)—6.3%

On Dividend paid for 1940 (\$1.83 per share)—7.5%

HONGKONG TELEPHONE COMPANY, LTD.

CAPITAL ISSUED 31.12.40:—

500,000 Shares each \$10.00 fully paid—\$5,000,000

250,000 Shares each \$ 2.50 paid 625,000

\$5,625,000

(—562,500 shares fully paid).

Year	Net Profit	Dividends Paid	Share Market	
			High	Low
1927	\$ 221,000	\$ 153,808	\$ 4.00	\$ 3.50
1928	260,904	153,808	7.30	3.90
1929	302,200	183,986	8.40	6.60
1930	336,624	275,000	23.75	19.23
1931	371,581	320,000	54.00	35.50
1932	568,962	432,500	43.00	28.00
1933	619,948	600,000	37.00	25.50
1934	845,422	674,977	27.10	22.40
1935	845,238	675,000	26.10	17.00
1936	845,380	675,000	31.50	24.40
1937	845,289	675,000	31.50	24.50
1938	843,331	675,000	28.00	23.00
1939	973,086	787,500	21.25	19.75
1940	996,792	787,500	32.10	19.00

\$8,907,757 \$7,069,079

Average Profit over 14 years—\$636,268.36 per annum.

Average Dividend over 14 years—\$504,934.21 p.a.—90 cents per share of \$10.00 p.a. on Issued Capital.

Market Prices 1927/1940:—High 1931 \$54.00. Low 1927 \$3.50.

Investment Return on price of \$25.50 (15.9.41).

On average dividend over 14 years (90 cents per share)—3.53%

On Dividend paid for 1940 (\$1.40 per share)—5.49%

